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## FISCAL IMPACT REPORT

ORIGINAL DATE 01/31/11  
 SPONSOR Papen LAST UPDATED 03/04/11 HB \_\_\_\_\_  
 SHORT TITLE Extend Daily Capital Outlay Horse Racing Tax SB 27  
 ANALYST Burrows

### REVENUE (dollars in thousands)

Estimated Revenue			Recurring or Non-Rec	Fund Affected
FY12	FY13	FY14		
	\$1,190.0	\$1,190.0	Recurring (until 12/31/14)	General Fund
	\$1,190.0	\$1,190.0	Recurring (until 12/31/14)	State Fairgrounds

(Parenthesis ( ) Indicate Expenditure Decreases)

Relates to SB114

### SOURCES OF INFORMATION

LFC Files

#### Responses Received From

The State Racing Commission (SRC)  
 New Mexico Finance Authority (NMFA)  
 The New Mexico State Fair (SFC)  
 Department of Taxation and Revenue (TRD)

### SUMMARY

#### Synopsis of Bill

Senate Bill 27 extends imposition of a daily capital outlay tax of two and three-sixteenths percent of gross daily pari-mutuel wagering at licensed racetracks at which horse racing is conducted on premises or by simulcast. The tax is currently set to expire on July 1, 2012 in conjunction with repeal of the Horse Racing Act (Section 60-1A NMSA 1978). The bill will extend imposition of the tax through December 31, 2014. The bill also extends tax offsets to Class A and B licensees and disposition of revenue to the general fund, as well as an appropriation of one-half of the daily capital outlay tax to the state fair commission.

## **FISCAL IMPLICATIONS**

The impact was calculated from the State Fairground's annual audit. The SRC reports that between FY06 and FY10, revenue from daily capital outlay tax averaged \$2.4 million, of which \$1.2 was distributed to the general fund and \$1.2 was appropriated to the New Mexico State Fairgrounds.

This analysis assumes no change in pari-mutuel wagering. Gaming and other types of wagering are less affected by economic downturn than other businesses.

## **SIGNIFICANT ISSUES**

The New Mexico State Fairgrounds have pledged revenue from the daily capital outlay tax to secure \$5.6 million in bonds from the New Mexico Finance Authority (NMFA) for capital improvements. Those bonds were issued for a 10-year term with final payment on November 11, 2014. If the tax is not extended, the Expo New Mexico could default on its bonds. This would be the first default in the history of the NMFA.

## **RELATIONSHIP**

Senate Bill 114 proposes to shift distribution of one-half the daily capital outlay tax from the state fairgrounds to the general fund effective January 1, 2015.

## **WHAT WILL BE THE CONSEQUENCES OF NOT ENACTING THIS BILL**

The daily capital outlay tax will be repealed on July 1, 2012. Distributions to the general fund and appropriations to the New Mexico State Fairgrounds would be reduced.

New Mexico Finance Authority:

“The New Mexico State Fairgrounds/Expo New Mexico will default on its bonds outstanding that are secured and repaid by the daily capital outlay horse racing tax...Should this occur, it will be the first default in NMFA history.”

LKB/bym